

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 21, 2018

The Hope on Alvarado Apartments, located at 166 S. Alvarado Street in Los Angeles, requested and is being recommended for a reservation of \$768,865 in annual federal tax credits to finance the new construction of 83 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by LSA Capital, Inc. and will be located in Senate District 24 and Assembly District 51.

The project will be receiving rental assistance in the form of Los Angeles DHS Flexible Housing Subsidy Pool (FHSP).

Project Number CA-18-705

Project Name The Hope on Alvarado Apartments
Site Address: 166 S. Alvarado Street
Los Angeles, CA 90057 County: Los Angeles
Census Tract: 2084.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$768,865	\$0
Recommended:	\$768,865	\$0

Applicant Information

Applicant: Hope on Alvarado, LP
Contact: Leslie Weiss
Address: 6230 Wilshire Blvd., Suite 830
Los Angeles, CA 90048
Phone: (310) 525-6928
Email: lesliew@lsacapital.com

General Partner(s) or Principal Owner(s): Foundation for Affordable Housing V, Inc.
General Partner Type: Nonprofit
Parent Company(ies): Foundation for Affordable Housing V, Inc.
Developer: LSA Capital, Inc.
Investor/Consultant: Pioneer Development, LLC
Management Agent: FPI Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 84
 No. / % of Low Income Units: 83 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Public Finance Authority
 Expected Date of Issuance: March 31, 2018

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
50% AMI: 20	24%
60% AMI: 63	76%

Unit Mix

52 SRO/Studio Units
 32 1-Bedroom Units
 84 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6 SRO/Studio	50%	50%	\$788
40 SRO/Studio	60%	60%	\$946
6 SRO/Studio	50%	50%	\$788
4 1 Bedroom	50%	50%	\$845
23 1 Bedroom	60%	60%	\$1,014
4 1 Bedroom	50%	50%	\$845
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,395

TCAC-confirmed Projected Lifetime Rent Benefit: \$35,634,720

Project Cost Summary at Application

Land and Acquisition	\$7,800,000
Construction Costs	\$12,480,172
Rehabilitation Costs	\$0
Construction Contingency	\$1,238,017
Relocation	\$0
Architectural/Engineering	\$725,000
Const. Interest, Perm. Financing	\$1,314,982
Legal Fees, Appraisals	\$114,600
Reserves	\$608,808
Other Costs	\$439,045
Developer Fee	\$2,359,133
Commercial Costs	\$0
Total	\$27,079,757

Residential

Construction Cost Per Square Foot:	\$341
Per Unit Cost:	\$322,378
True Cash Per Unit Cost*:	\$304,172

Construction Financing

Source	Amount
Key Bank - T.E. Bonds	\$20,000,000
Seller Note	\$1,800,000
Deferred Developer Fee	\$2,359,133
Tax credit equity	\$2,916,474

Permanent Financing

Source	Amount
Key Bank - T.E. Bonds	\$16,600,000
Seller Note	\$1,800,000
Deferred Developer Fee	\$1,529,312
Tax Credit Equity	\$7,150,445
TOTAL	\$27,079,757

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,086,684
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$23,512,689
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$768,865
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,359,133
Investor/Consultant:	Pioneer Development, LLC
Federal Tax Credit Factor:	\$0.93000

Per Regulation Section 10327(c)(6), the “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$18,086,684
Actual Eligible Basis:	\$18,086,684
Unadjusted Threshold Basis Limit:	\$19,788,360
Total Adjusted Threshold Basis Limit:	\$24,537,566

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 24%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.27% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions: None.

Local Reviewing Agency

The Local Reviewing Agency, the Los Angeles Housing Department, has completed a site review of this project and supports this project.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions: None.